GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2998
ANSWERED ON:02.08.2002
FOREIGN COMPANY STATUS
NITISH SENGUPTA

Will the Minister of FINANCE be pleased to state:

(a) whether a number of foreign companies which reduced their foreign shareholding in the wake of the FERA are now going back to majority stake or even hundred per cent foreign company status;

(b) if so, whether it will not have a debilitating effect on the Indian small investors as also on the stock market; and

(c) if so, the steps taken by the Government in this regard?

Answer

Minister of State in the Ministry of Finance (Shri Anant G. Geete)

(a): Yes, Sir. As per the extant policy, FDI up to 100% is permitted in most sectors. Proposals involving enhancement of foreign shareholding by way of acquisition/buy-back of existing shares from resident shareholders are considered by FIPB on the basis of extant policy, including sectoral policy in respect of FDI caps, minimum capitalisation requirements, etc. Approvals in cases involving acquisition/buy-back of shares through public offer are subject to SEBI pricing norms and SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

(b) & (c) : Delisting of securities from the stock exchanges could ultimately result in a decrease in volume and market capitalisation. In so far as small investors are concerned, buy back of securities/substantial acquisition of shares provides an exit option to small investors in conformity with SEBI Regulations.As regards delisting by MNCs from stock exchanges, SEBI has constituted a Committee to relook at the norms for delisting.